



AUDIT

OF

UNDP AFGHANISTAN

CLOSING THE SECURITY GAP PROJECT
(Directly Implemented Project No. 59538)

Report No. 1251

Issue Date: 12 February 2014

**Report on the audit of UNDP Afghanistan
Closing the Security Gap Project (Project No. 59538)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 8 October 2013 to 15 January 2014, through Anjum Asim Shahid Rahman, member firm of Grant Thornton International Ltd (the audit firm), conducted an audit of Closing the Security Gap Project, Project No. 59538 (the Project), which is directly implemented and managed by the UNDP Country Office in Afghanistan (the Office).

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations. The audit covered the Project's Statement of Expenditure (Combined Delivery Report) for the period from 1 January to 31 December 2012 and Statement of Assets as of 31 December 2012.

Of the total expenditure of \$1,235,775 recorded in the Combined Delivery Report, the audit scope was limited to \$448,025. The remaining \$787,750 was excluded from the audit as it pertained to expenses processed by other UNDP offices and the supporting documents were not maintained by the Office.

The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Audit results

Based on the audit report and corresponding management letter submitted by the audit firm, the results are summarized in the table below.

Project Expenditure			Project Assets		
Amount (in \$ '000)	Opinion	NFI (in \$ '000)	Amount (in \$ '000)	Opinion	NFI (in \$ '000)
448	Disclaimer	448	10	Unqualified	N/A

NFI = Net Financial Impact

The audit firm issued a disclaimer on the Project's Statement of Expenditure due to:

- incomplete recording of expenditure incurred in 2012. Salaries were not charged to the Project for the first five months of 2012;
- lack of appropriate audit evidence on fuel charges amounting to \$60,715 and rent expenses of \$13,589;
- overstatement of indirect program support costs by \$21,737; and
- expenditure totalling \$136,678 incurred in 2011 recorded in 2012.

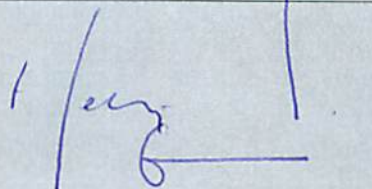
Key recommendations: Total = 8, high priority = 5

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. The high (critical) priority recommendation presented below:

- Finance management
(Issue 1) Combined Delivery Report does not show complete project expenditure. The project staff salaries from January-May 2012 were charged against Project 00061104. The Office could not provide the amount of salaries involved.
- Recommendation: Fairly present in the Combined Delivery Report all the expenditure pertaining to the Project for the entire year. Whenever a project is transferred under the management of another project, UNDP rules and regulations regarding the operational closure of the projects should be followed.
- (Issue 2) Lack of evidence for fuel expense. Supporting documents were not made available to the audit firm to check the validity and occurrence of fuel charges amounting to \$60,715.
- Recommendation: Record expenditure and process payments only when transactions are supported by adequate and proper documents. Management should also ensure that documentation is complete and that the record keeping process is improved.
- (Issue 3) Lack of evidence for rent. Due to the absence of adequate supporting documents, the accuracy of rent paid amounting to \$13,589 could not be verified.
- Recommendation: Charge to the projects the expenditure pertaining to the recovery of common services costs only when these budgeted amounts are supported by adequate and proper documents. The Office should also ensure that these budgeted expenses are adjusted after actual expenditure is ascertained.
- (Issue 4) Indirect program support costs overstated. The Project's 2012 indirect programme support costs charged was overstated by \$21,737.
- Recommendation: Charge the indirect programme support costs to the project in accordance with the donor agreements and calculate them at the standard rate.
- Fixed assets
(Issue 5) Inaccurate recording of expenditure in 2012. Expenditure amounting to \$136,678 was incurred in 2011 but was recorded in 2012.
- Recommendation: Recognize expenditure in the proper accounting period.

Management comments and action plan

The Resident Representative accepted all the recommendations and in the process of implementing them. Comments and/or additional information provided have been incorporated into the report, where appropriate.



Helge S. Ostveiten
Director
Office of Audit and Investigations